Unaudited Interim Consolidated Financial Statements

ACLARA RESOURCES INC.

As of March 31, 2023 and 2022

Income Statement

	Notes	As at 31 March 2023 US$000	As at 31 March 2022 US$000
Continuing operations			
Other income	4	33	-
Administration expenses	4	(1,093)	(834)
Exploration expenses	5	(1,123)	(236)
(Loss) from continuing operations before net finance income/(cost) and income tax		(2,183)	(1,070)
Financial income	6	770	11
Financial costs	6	(6)	(5)
Foreign exchange differences		12	67
(Loss) for the period from continuing operations before income tax		(1,407)	(997)
Income tax expense	7	-	-
(Loss) Loss for the period from continuing operations		(1,407)	(997)
Basic loss per share US$	8	(0.01)	(0.01)
Diluted loss per share US$	8	(0.01)	(0.01)

Statement of Comprehensive Income

	As at 31 March 2023 US$000	As at 31 March 2022 US$000
(Loss) for the period	(1,407)	(997)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign exchange differences on translating foreign operations	6,635	5,490
Other comprehensive (loss) profit for the period, net of tax	6,635	5,490
Total comprehensive (loss) for the period	5,227	4,493

The attached notes are an integral part of these Interim Consolidated Financial Statements.

Statement of Financial Position

ASSETS	Notes	As at 31 March 2023 US$000	As at 31 December 2022 US$000
CURRENT ASSETS			
Cash and cash equivalents	12	59,129	66,886
Trade debtors and other accounts receivable, net, current	11	984	367
Accounts receivable from related entities, current	17	9	-
TOTAL CURRENT ASSETS		60,122	67,253
NON-CURRENT ASSETS			
Trade debtors and other accounts receivable, non-current	11	5,808	4,692
Property, plant and equipment, net	9	2,354	1,887
Exploration and evaluation assets	10	93,718	82,985
TOTAL NON-CURRENT ASSETS		101,880	89,564
TOTAL ASSETS		162,002	156,817

EQUITY AND LIABILITIES	Notes	As at 31 March 2023 US$000	As at 31 December 2022 US$000
CURRENT LIABILITIES			
Trade accounts payable and other accounts payable, current	14	2,809	3,605
Accounts payable to related entities, current	17	-	25
TOTAL CURRENT LIABILITIES		2,809	3,630
EQUITY			
Equity share capital	16	164,199	164,036
Retained deficit		(12,924)	(12,012)
Other reserves		7,918	1,163
Capital and reserves attributable to shareholders of the Parent		159,193	153,187
TOTAL EQUITY		159,193	153,187
TOTAL LIABILITIES AND EQUITY		162,002	156,817

The attached notes are an integral part of these Interim Consolidated Financial Statements.

Statement of Cash Flow

	Notes	As at 31 March 2023 US$000	As at 31 March 2022 US$000
Cash flows from operating activities			
Cash from / (used in) operations	18	(4,171)	(2,753)
Interests received		770	12
Net cash from/(used in) operating activities		(3,401)	(2,741)
Cash flows from investing activities			
Purchase of property, plant and equipment		(412)	(36)
Purchase of exploration and evaluation assets	10	(3,944)	(4,498)
Net cash from (used in) investing activities		(4,356)	(4,534)
Cash flows from financing activities			
Shares issued	16	-	1
Cash flows from (used in) financing activities		-	1
Net increase/(decrease) in cash and cash equivalents during the period		(7,757)	(7,274)
Cash and cash equivalents at beginning of the period		66,886	64,185
Cash and cash equivalents at end of the period	12	59,129	56,911

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Statement of Changes in Equity

	Notes	Equity share capital	Cumulative translation adjustment	Other reserves	Total other reserves	Retained deficit	Total equity
		US$000	US$000	US$000	US$000	US$000	US$000
Balance at 1 January 2023	16	164,036	(9,627)	10,790	1,163	(12,012)	153,187
Other comprehensive expense		-	6,635	-	6,635	495	7,130
(Loss) of the period		-	-	-	-	(1,407)	(1,407)
Total comprehensive (loss) for the period		-	6,635	-	6,635	(912)	5,722
Share-based payments		163	-	120	120	-	283
Balance at 31 March 2023	16	164,199	(2,992)	10,910	7,918	(12,924)	159,193
Balance at 1 January 2022	16	164,508	(9,177)	10,093	916	(3,657)	161,767
Other comprehensive expense		-	5,490	-	5,490	-	5,490
(Loss) of the period		-	-	-	-	(997)	(997)
Total comprehensive (loss) for the period		-	5,490	-	5,490	(997)	4,493
Share-based payments		-	-	150	150	-	150
Share issuance costs		(462)	-	-	-	-	(462)
Balance at 31 March 2022		164,046	(3,687)	10,243	6,556	(4,654)	165,948

The attached notes are an integral part of these Interim Consolidated Financial Statements.

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Notes to the Interim Consolidated Financial Statements

1 Corporate information

Aclara Resources Inc., formerly 1303714 B.C. Ltd. (hereinafter the ‘Company’) is a limited Company incorporated under the Business Corporations Act (British Columbia) on May 5, 2021. The Company’s registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada. On August 5, 2021, the Company established 1303714 B.C. LTD., Agencia en Chile (hereinafter the ‘Agencia’), a foreign legal entity branch in Chile. On October 4, 2021, the Company changed its name to “Aclara Resources Inc.”. On October 15, 2021, Agencia changed its name to “Aclara Resources Inc., Agencia en Chile”.

Aclara Resources Inc. is the direct owner of 100% of the issued and outstanding share capital of Ree Uno SpA, which was incorporated on 28 October 2011. Ree Uno SpA’s registered office is located in Chile. Ree Uno SpA’s principal business is the development of the Penco Module, which is located in Chile.

Investment in a subsidiary

- On October 2, 2019, Minera Hochschild Chile S.C.M., a Chilean subsidiary of the Hochschild Mining Group, acquired an 100% interest in Ree Uno SpA. On November 27, 2020 Minera Hochschild Chile S.C.M. sold its 100% interest in Ree Uno SpA to Hochschild Mining Holdings Ltd, a UK-based subsidiary of the Hochschild Group. On October 15, 2021, Hochschild Mining Holdings Ltd contributed 100% of its ownership interest in Ree Uno SpA´s shares to the Company in exchange for a total of 88,262,106 common shares in the capital of the Company as part of Hochschild Mining Group’s and the Company’s reorganization strategy. Immediately thereafter, the Company allocated all of its shares in the capital of Ree Uno SpA to its Chilean branch.

- On February 25, 2022, the Company and Ree Uno SpA acquired a 99% and a 1% interest in Aclara Resources Peru SAC, respectively, which was incorporated on January 21, 2022. Aclara Resources Peru SAC’s registered office is located in Peru. Aclara Resources Peru SAC’s principal business is to provide management and administration services. The controlling party of Aclara Resources Peru SAC is the Company.

- Ree Uno SpA is the direct owner of 100% of the issued and outstanding share capital of Prospecciones Greenfield SpA, which was incorporated on October 4, 2021. Prospecciones Greenfield SpA’s registered office is located in Chile. Prospecciones Greenfield SpA’s principal business is managing exploration concessions for Ree Uno SpA for the potential development of new modules in Chile. The immediate controlling party of Prospecciones Greenfield SpA is Ree Uno SpA.

- On September 16, 2022, Aclara Resources Mineracao Ltda. was incorporated with a capital contribution from Ree Uno SpA, which acquired 100% of the issued and outstanding share capital. On February 16, 2023, Aclara Resources Mineracao Ltda. increased the capital and the Company acquired an 89,63% interest in Aclara Mineracao Ltda., therefore, Ree Uno SpA is currently the owner of 10.37% of the issued and outstanding share capital of Aclara Resources Mineracao Ltda.. Aclara Resources Mineracao Ltda.’s registered office is located in Brazil. Aclara Resources Mineracao Ltda.’s principal business is mining research, geological studies, exploration and extraction of mining products. The immediate controlling party of Aclara Resources Mineracao Ltda. is Ree Uno SpA.

- Ree Uno SpA is the direct owner of 100% of the issued and outstanding share capital of Fundacion de Beneficiencia Publica, Medioambiental, Cientifica, Cultural y Social Queule (hereinafter the ‘Fundacion Queule’), which was incorporated on September 27, 2022. Fundacion Queule’s registered office is located in Chile. Fundacion Queule’s principal business is carry out, encourage and support initiatives, programs, projects and activities for environmental conservation, heritage rescue and social, cultural and scientific development. The immediate controlling party of Fundacion Queule is Ree Uno SpA.

Business segment

The Company is involved in the exploration of rare-earth metals in Chile and operates one business segment, which is the development of the Penco Module project in Chile. The operations are conducted through the Company’s wholly-owned subsidiary, Ree Uno SpA.

The Company is a mining company engaged in the exploration and development of rare earth mineral resources with approximately 285,485 hectares of mining concessions located in the Maule, Ñuble, Biobío and Araucanía regions of Chile. The Company is presently focused on the development of the Penco Module, which covers a surface area of approximately 600 ha and contains ionic clays rich in Rare Earth Elements (“REE”). Subsequent developmental stages of the Company are expected to include optimisation of the metallurgical process, additional production modules and vertical integration opportunities. Results from the preliminary economic assessment of the Penco Module were issued on October 18th, 2021.

As part of the Environmental Impact Assessment (“EIA”) approval process for the Penco Module initiated in 2018 (the “Original EIA”), the Company filed an initial application and three supplementary submissions to the Environmental Assessment Service (“SEA”) by way of addendums (each an **“**Addendum”) and engaged in a number of productive discussions with the relevant authorities relating to the Penco Module. Management of the Company expected an evaluation report to be issued by the SEA in advance of and as a requirement to the decision-making process of the relevant environmental permitting evaluation committee, which was required to render its decision in respect of the environmental permit by April 19, 2022. Notwithstanding that over the course of the Original EIA approval process, the Company had addressed many key aspects relating to the Penco Module, the Company was unable to satisfy the SEA in relation to two technical aspects in particular, which related to the protection of local flora and fauna, within the mandated regulatory timetable relating to the Original EIA process. In light of follow-up discussions between representatives of Aclara and the SEA to better understand the outstanding issues and consultations with technical and other advisors, on March 24, 2022, the Company withdrew its application for the Original EIA so that it could fully address the issues raised during the late stages of the application process.

Notes to the Interim Consolidated Financial Statements (Continued)

The Company determined that it was in its best interests and those of the Penco Module to take the additional time required to fully understand and resolve the remaining issues and plans to resubmit a revised EIA application relating to the Penco Module ("Revised EIA").

Since April, 2022, and in response to the technical queries raised by the SEA in connection with the Original EIA, the Company carried out seasonal baselines studies and collected updated on-site measurements in respect of flora, fauna and water. In terms of flora, specifically in relation to the Queule and Pitao native preservation trees habitat, the University of Chile also conducted a study which confirmed that the Penco Module will not generate any impact to these species. Furthermore, on January 31, 2023, the Company signed a contract with the water utility company of Concepcion and successfully secured an industrial recycled water source for the 100% water requirement for the Project´s operation. This represented a major milestone in improving environmental sustainability for the Penco Module and strengthens the Company's position in preparation for filing its Revised EIA for the Penco Module. As of March 28, 2023, the Company has already completed the baselines studies, of which three of the four seasons (autumn, winter and spring campaigns) were completed as of December 31, 2022 and the last season (the summer campaign) was finalized during the first quarter of 2023. The Company intends to submit the Revised EIA to SEA during the second quarter of 2023 and estimates an evaluation period of 18 months. However, there can be no assurance as to the length in obtaining an approval or whether such approval will be issued.

Presentation of Financial Statements

The ultimate controlling party of the Company is Mr. Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries is held through Pelham Investment Corporation, a company governed under the laws of the Cayman Islands, and Hochschild Mining Holdings Ltd, a company governed under the laws of the United Kingdom.

This means that there has been no loss of control after the demerger from Hochschild Mining Holdings Ltd. and the Company's IPO. Consequently, the Company, after its incorporation, as well as Ree Uno SpA are considered to be under common control. The Interim Consolidated Financial Statements of the Company and Ree Uno SpA are provided herein. The financial results for the period ended March 31, 2023 and December 31, 2022, represent a consolidation of the Company and Ree Uno SpA's income statement and cash flows for the entire period ended March 31, 2023 and December 31, 2022.

These Interim Consolidated Financial Statements were approved for issue by the Board of Directors on May 03, 2023.

2 Basis of preparation and changes to the groups accounting policies

(a) Basis of preparation

The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The basis of preparation and accounting policies used in preparing these Interim Consolidated Financial Statements have been consistently applied and are set out below. The Interim Consolidated Financial Statements have been prepared on a historical cost basis.

The Interim Consolidated Financial Statements are presented in US dollars (US$) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

The Company is a development stage company and has not generated any revenue. The economic analysis contained in the technical report titled "Amended and Restated NI 43 – 101 Technical Report – Preliminary Economic Assessment for Penco Module Project" ("Technical Report") is based, in part, on inferred mineral resources, and is preliminary in nature. Inferred mineral resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as mineral reserves. There is no certainty that economic forecasts on which the preliminary economic assessment contained in the Technical Report is based will be realized.

On December 10, 2021, the Company received net proceeds of US$93.15 million pursuant to the IPO and concurrent private placement of common shares in the capital of the Company. The net proceeds received will be used in activities in connection with the Penco Module such as the development of the feasibility study and piloting, brownfield exploration and infill drilling, permitting and ESG-related activities, surface land purchase and mining concessions, and construction capital expenditures. In addition, the Company intends to advance activities in connection with potential new modules such as exploration; permitting processes and engineering. The Company is fully funded for the next eighteen months in terms of contemplated capital and operating expenditures. Accordingly, the Interim Consolidated Financial Statements have been prepared on a going concern basis.

Changes in accounting policy and disclosures

Amendments to standards and interpretations which came into force during the 2023 and 2022 periods do not have an impact on the Company's Interim Consolidated Financial Statements and are as follows:

- **IFRS 3 Reference to the Conceptual Framework**

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. These amendments replaced a reference in an earlier version of the Conceptual Framework, which had been issued by the IASB in 1989, with a reference to the 2018 version of the Conceptual Framework without significantly changing IFRS 3 requirements.

Notes to the Interim Consolidated Financial Statements (Continued)

The amendments added the exception to the recognition principle of IFRS 3 to avoid the issue of "Day 2" potential gains or losses that arise from liabilities and contingent liabilities that would be within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21 respectively to determine whether a present obligation exists at acquisition date. The amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. Amendments must be applied prospectively. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IAS 16 Property, plant and equipment: Proceeds Before Intended Use**

The amendment prohibits deducting from the cost of an item of property, plant and equipment (PP&E) any proceeds from the sale of items produced while bringing such asset to the location and condition necessary for it to operate as intended by management. Instead, an entity recognizes the proceeds arising from the sale of such elements and the production costs of those items in profit or
loss for the year.

The amendment must be applied retroactively only to items of PP&E ready to use or after the beginning of the earliest reporting period in which the entity first applies the amendment.The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IAS 37 Onerous contracts - Cost of fulfilling a contract**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity should include when assessing whether a contract is onerous or triggers losses.

The amendments are intended to provide clarity and help to ensure the standard is applied consistently. Entities that have previously applied the incremental cost approach, will see an increase in provisions to reflect the inclusion of costs directly related to the contract activities, while entities that have previously recognized allowances for contractual losses based on the previous standard guidance, IAS 11 Construction Contracts, shall exclude the indirect cost allocation from their provisions. Judgement shall be applied in determining which costs "relate directly to the contract", however, we believe guidance in IFRS 15 will be relevant.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the amendment for the first time (initial application). Earlier application is permitted and must be disclosed. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard specific to insurance contracts covering recognition, measurement, presentation and disclosure. Once it enters into force, it will replace IFRS 4 Insurance Contracts issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with certain characteristics of discretionary participation. Some exceptions within the scope may be applied.

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented in initial application. of IFRS 17. If an entity chooses to apply the classification overlay, it can only do so for comparative periods to which IFRS 17 applies (ie from the date of transition to the date of initial application of IFRS 17).

IFRS 17 requires comparative figures in its application. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**

In February 2021, the IASB issued amendments to IAS 8, introducing a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop the accounting for estimates.

The modified standard clarifies that the effects on an accounting estimate, product of a change in an input or a change in a measurement technique are changes in accounting estimates, provided that these are not the result of the correction of errors of previous periods. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not bug fixes. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IAS 1 Presentation of Financial Statements - Disclosure of Accounting Policies**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement No. 2 Making materiality judgments, in which it provides guidance and examples to help entities apply materiality judgments to materiality disclosures. accounting policy. The amendments are intended to help entities provide accounting policy disclosures that are more useful by:

• Replace the requirement that entities disclose their "significant" accounting policies with the requirement to disclose their "material" accounting policies.

Notes to the Interim Consolidated Financial Statements (Continued)

• Include guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

In assessing the materiality of accounting policy information, entities should consider both the size of the transactions and the nature of other events or conditions. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

- **IAS 12 Deferred tax related to assets and liabilities arising from a single transaction**

In May 2021, the IASB issued amendments to IAS 12, which reduce the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that when payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense). or to the related asset component (and interest expense). This judgment is important to determine if there are temporary differences in the initial recognition of assets and liabilities.

Likewise, according to the amendments issued, the exception in the initial recognition does not apply to transactions that, in the initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and a lease liability (or a decommissioning liability and a component of the decommissioning asset) give rise to taxable and deductible temporary differences that are not the same. However, the resulting deferred tax assets and liabilities may not be the same (for example, if the entity cannot take the benefit of tax deductions or if different tax rates apply to taxable and deductible temporary differences). In such cases, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss. The amendment has no impact on the Company's Interim Consolidated Financial Statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Company

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 January 2023 or later periods but which the Company has not previously adopted. These have not been listed as they are not expected to impact the Company.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the Interim Consolidated Financial Statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the Interim Consolidated Financial Statements. Information about such judgements and estimates is contained in the accounting policies and/or the Notes to the Interim Consolidated Financial Statements.

Significant areas of estimation uncertainty and critical judgements made by management in preparing the Interim Consolidated Financial Statements include:

Significant estimates:

- Ore reserves and resources – 2(e)
  There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being restated.

- Recoverable values of mining asset
  The value of the Company's mining assets is sensitive to a range of characteristics unique to each mine project. Key sources of estimation for all assets include uncertainty around ore resource estimates. In performing impairment reviews, the Company assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using an in-situ valuation to estimate the amount that would be paid by a willing third party in an arm's length transaction. There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Key judgments include the estimation of future rare earths prices, future capital requirements, and exploration potential. Changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets, and intangibles. The first resources and reserves report was issued on October 18, 2021.

- Income tax
  Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

Critical judgements:

- Determination of functional currencies – 2(c)

Notes to the Interim Consolidated Financial Statements (Continued)

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

- Recognition of exploration and evaluation assets – notes 2(d) and 10.
  Exploration and evaluation expenses are capitalized when the future economic benefit of a project can reasonably be regarded as assured. For this purpose, the future economic benefit of the project can reasonably be regarded as assured when the Board authorizes management to conduct a feasibility study, mine-site exploration is being conducted to convert resources to reserves, or mine-site exploration is being conducted to confirm resources, all of which are based on supporting geological information.

  This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalization of costs; the timing of the end of the exploration phase, the start of the development phase; and the commencement of the production phase.

(c) Currency translation

The functional currency for the Company is in US dollars and is determined by the currency of the primary economic environment in which it operates.

Interim Consolidated Financial Statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference is included as cumulative translation adjustment in equity.

The Interim Consolidated Financial Statements are presented in US dollars (US$).

(d) Exploration and evaluation assets

Based on IFRS 6 "Exploration for and evaluation of mineral resources" costs of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis.

Costs related to the project that could be capitalized among others are; acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are transferred to mine development costs within property, plant and equipment once the work completed to date supports the future development of the property and such development receives appropriate approval.

(e) Determination of ore reserves and resources

The Company estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with Canadian securities law requirements including National Instrument 41 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). It is the Company's policy to have the report audited by a Qualified Person.

Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis. As at March 31, 2023 and December 31, 2022 there is no provision of mine closure costs.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost comprises its purchase price and directly attributable costs of acquisition or construction required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. Economical and physical conditions of assets have not changed substantially over this period.

The cost less residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production basis for mine buildings and installations and plant and equipment used in the mining production process, or charged directly to the income statement over the estimated useful life of the individual asset on a straight-line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognized within other income/expenses, in the income statement.

Notes to the Interim Consolidated Financial Statements (Continued)

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5 to 10
Vehicles	5

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to be ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed where incurred. For borrowings associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. The Company capitalizes the borrowing costs related to qualifying assets with a value of US$1,000,000 or more, considering that the substantial period of time to be ready is six or more months.

The Company has not capitalized interest as it is in a pre-construction stage of operations and consequently does not meet IAS 23 requirements.

Mining properties and development costs

Purchased mining properties are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Costs associated with developments of mining properties are capitalized when incurred.

Mine development costs are, upon commencement of commercial production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Construction in progress and capital advances

Assets in the course of construction are capitalized as a separate component of property, plant and equipment when incurred. Once the asset is moved into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalized separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures are recognized in the income statement as incurred.

As at March 31, 2023 and December 31, 2022 the Company does not have any balance of mining properties and development costs and construction in progress and capital advances.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. The Company does not have assets with an indefinite useful life.

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash-generating unit (“CGU”) level.

The assessment requires the use of estimates and assumptions such as long-term commodity prices, future capital requirements, and exploration potential. Changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

If the carrying amount of an asset or its CGU exceeds the recoverable amount, an impairment provision is recorded to reflect the asset at the lower amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use (“VIU”) and fair value less costs of disposal (“FVLCD”) to sell. FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s length basis. VIU is based on estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

The recoverable values of the CGU are determined using a FVLCD methodology. FVLCD was determined using a combination of level 2 and level 3 inputs to estimate the amount that would be paid by a willing third party in an arm's length transaction.

Notes to the Interim Consolidated Financial Statements (Continued)

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortized cost.

Impairment of financial assets – The company recognizes a value adjustment on expected credit losses ("ECL") related to financial assets measured at amortized cost or at FVTOCI, lease accounts receivable, amounts owed by customers under construction contracts, as well as loan commitment and financial guarantee contracts. The amount of the expected credit losses is restated at each reporting date to reflect changes in the credit risk since the initial recognition of the corresponding financial asset.

The company always recognizes ECL over the life of the asset for trade accounts receivable. The expected credit losses of these financial assets are estimated using provisions matrix based on the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors, general economic conditions and an evaluation both of the real and budgeted direction of the conditions on the reporting date, including the time value of money when appropriate.

For all other financial instruments, the Company recognizes ECL over the life of the asset when there has been a significant increase in the credit risk since initial recognition. If, on the other hand, the credit risk of the financial instrument has not significantly increased since initial recognition, the Company measures the value restatement for losses for this financial instrument at an amount equal to the expected credit losses in the next twelve months.

The evaluation as to whether ECL should be recognized over the life of the asset is based on a significant increase in the probability or risk of non-compliance occurring since initial recognition instead of on evidence of a credit-impaired financial asset as of the reporting date or the existence of a non-compliance event.

ECL over the life of the asset represent the expected credit losses that will result from all possible non-compliance events during the expected life of a financial instrument. In contrast, the ECL in the next twelve months represents the portion of the s ECL during the life of the asset that are expected to result from a non-compliance event on a financial instrument that is possible within 12 months after the reporting date.

The Company applied a simplified focus to recognize expected credit losses over the life of the asset for its trade and other accounts receivable, as required by IFRS 9. In relation to related parties, management believes that there has not been a significant increase in the credit risk of loans with related parties from initial recognition to March 31, 2023 and December 31, 2022. Consequently, management does not expect to recognize expected credit losses in the next 12 months for loans with related companies. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognized in the income statement.

(i) Income Tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years. The tax rates and applicable Canadian, Peruvian, Brazilian and Chilean tax regimes are as follows:

(1) Canadian Entity

Aclara Resources Inc.	2023 and 2022 between 0% to 50% respectively (corporate tax rate range)

(2) Peruvian Entity

Aclara Resources Peru SAC	2023 and 2022 29,5%

(3) Chilean Entities

Aclara Resources Inc., Agencia en Chile	2023 and 2022 27%, General semi integrated 14A
Ree Uno SpA	2023 and 2022 27%, General semi integrated 14A
Prospecciones Greenfield SpA	2023 and 2022 10%, General pro PYME 14D
Fundacion Queule	2023 and 2022 0% to 27%

Notes to the Interim Consolidated Financial Statements (Continued)

(4) Brazilian Entities

Aclara Brasil Mineracao Ltda.	2023 and 2022 25% and 9% per corporate tax ("IRPJ") and social contribution on net income ("CSLL") respectively

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company has not recognized deferred tax assets as the recoverability in the foreseeable future is not more-likely-than-not to occur. Deferred taxes not recognized as of March 31, 2023 and December 31, 2022 amount to US$ 8,051,097 and US$ 7,395,404 respectively.

As of March 31, 2023 and December 31, 2022, the result for the year of the Company, its branch and subsidiaries is a tax loss, for which no tax expense was recognized. The accumulated tax (income) losses as of March 31, 2023 and December 31, 2022 by entity are as follows:

Name	Country	March 31, 2023 US$000
Aclara Resources Inc.	Canada	2,999
Aclara Resources Inc., Agencia en Chile	Chile	3
Ree Uno SpA	Chile	5,822
Aclara Resources Peru SAC	Peru	-
Prospecciones Greenfield SpA	Chile	1,051
Aclara Resources Mineracao Ltda.	Brazil	246
Fundacion Queule	Chile	-

Name	Country	December 31, 2022 US$000
Aclara Resources Inc.	Canada	3,211
Aclara Resources Inc., Agencia en Chile	Chile	2
Ree Uno SpA	Chile	5,116
Aclara Resources Peru SAC	Peru	18
Prospecciones Greenfield SpA	Chile	740
Aclara Resources Mineracao Ltda.	Brazil	127
Fundacion Queule	Chile	-

(j) Financial instruments

Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through OCI, or fair value through profit or loss.

Notes to the Interim Consolidated Financial Statements (Continued)

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognized as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables (not subject to provisional pricing), trade receivable from related entities and other receivables.

The Company's financial assets at fair value through profit or loss include short term investments (time deposit 6 months).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to the Interim Consolidated Financial Statements (Continued)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and trade and other payables)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and trade and other payables)

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss and other comprehensive income.

(c) Offsetting of financial instruments

Notes to the Interim Consolidated Financial Statements (Continued)

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents, as defined above, are shown net of outstanding bank overdrafts.

Liquidity funds are classified as cash equivalents if the amount of cash that will be received is known at the time of the initial investment and the risk of changes in value is considered insignificant.

The Company uses the valuation technique level 1, that is, quoted (unadjusted) prices in active markets for identical assets or liabilities, for determining and disclosing the fair value of cash and cash equivalents.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Interim Consolidated Financial Statements are categorized within the fair value hierarchy.

For assets and liabilities that are recognized in the Interim Consolidated Financial Statements on a recurring basis at fair value, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with its external valuers, where applicable, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of March 31, 2023, and December 31, 2022, the Company does not have financial assets fair valued with these valuation techniques.

Notes to the Interim Consolidated Financial Statements (Continued)

3 Subsidiary and branch companies

Summary of subsidiaries and branch companies

Name	Country	Functional Currency	Voting power percentage	Participation % 2023		Participation % 2022	
				Direct	Indirect	Direct	Indirect
Aclara Resources Inc., Agencia en Chile	Chile	Chilean Pesos	100%	100%	-	100%	-
Ree Uno SpA	Chile	Chilean Pesos	100%	100%	-	100%	-
Aclara Resources Peru SAC (1)	Peru	Peruvian Soles	100%	99%	1%	99%	1%
Prospecciones Greenfield SpA	Chile	Chilean Pesos	100%	-	100%	-	100%
Aclara Resources Mineracao Ltda. (1)	Brazil	Brazilian real	100%	89,63%	10,37%	-	100%
Fundacion Queule (1)	Chile	Chilean Pesos	100%	-	100%	-	100%

(1) Incorporation of company Aclara Resources Peru SAC, Aclara Resources Mineracao Ltda. and Fundacion Quele is indicated in note 1.

(a) Investments in subsidiaries accounted for using the equity method

Movements of investments in subsidiary company		Balance 01.01.2023	Additions	Profit (loss) share	Another increment (decrement)	Balance 31.03.2023	Dividends paid to non-controlling interests
		US$000	US$000	US$000	US$000	US$000	US$000
Ree Uno SpA	Indirect	66,107	-	(1,297)	-	64,810	-
Aclara Resources Peru SAC	Direct	35	-	(349)	-	(314)	-
Prospecciones Greenfield SpA	Indirect	794	255	(50)	-	999	-
Aclara Resources Mineracao	Indirect	74	352	(240)	-	186	-
Fundacion Queule	Indirect	1	-	-	-	1	-

As of March 31, 2023 and December 31, 2022 the Company has not distributed any dividends to its stakeholders, and it has not sold any of its investments in any of the subsidiaries.

Consolidation basis

(a) Subsidiaries or affiliates

Subsidiaries or affiliates are all entities over which The Company is in control. We consider that we maintain control when:

- You have power over the entity,
- It is exposed, has the right or shares, to variable returns derived from its participation in companies,
- There is the ability to affect returns, through its power over the entity.

The Company has power and control over the subsidiaries due to the shares that the Company owns, which give it the current ability to direct the entity. relevant activities, that is, activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred and excluded from consolidation on the date on which it ceases.

Intercompany transactions, balances and unrealized gains by transactions between related entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the transferred asset.

The functional currency for subsidiaries: Aclara Resources Peru SAC and Aclara Resources Mineracao Ltda. is the U.S. dollar and Agencia, Ree Uno SpA, Prospecciones Greenfield SpA and Fundacion Queule is the Chilean peso. The functional currency is determined by the currency of the primary economic environment in which it operates. The results and financial situation of all the subsidiaries and Branch of the Company, which have a functional currency different from the currency of presentation are translated into the presentation currency US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference is included as cumulative translation adjustment in equity.

Notes to the Interim Consolidated Financial Statements (Continued)

Changes in the scope of consolidation

(a) Direct consolidation scope

The following changes have occurred in the scope of direct consolidation of our subsidiary for the periods ended December 31, 2022 and March 31, 2023:

On February 16, 2023, Aclara Resources Mineracao Ltda. and the Company signed a capital contribution agreement in which, it is indicated that the Company acquired an 89,63% of the issued and outstanding share capital of Aclara Resources Mineracao Ltda.. The total capital contribution made by the Company was of $ 8.963.480 Brazilian real equivalent to US$1,709,543.79.

(b) Indirect consolidation scope

The following changes have occurred in the scope of indirect consolidation of our subsidiaries for the year ended December 31, 2022 and March 31, 2023:

On February 25, 2022, Aclara Resources Peru SAC was acquired by the Company and Ree Uno SpA, with a total capital contribution of US$ 259. Aclara Resources Peru SAC is included in the Interim Consolidated Financial Statements since the date of purchase.

On September 16, 2022, Aclara Resources Mineracao Ltda. was incorporated with a capital contribution of $10,000 Brazilian real equivalent to US$1,935.1 made by Ree Uno SpA. Ree Uno SpA incorporated a 100% stake in Aclara Resources Mineracao Ltda.

On September 27, 2022, Fundacion Queule was incorporated with a capital contribution of $1,000,000 Chilean pesos equivalent to US$1,017.47 made by Ree Uno SpA. Ree Uno SpA acquired a 100% stake in Fundacion Queule.

On February 16, 2023, Ree Uno SpA and the Company signed a capital contribution agreement in which, it is indicated that Ree Uno SpA is the owner of a 10,37% interest of Aclara Resources Mineracao Ltda.. The total capital contribution made by the Company was of $ 1.036.520 Brazilian real equivalent to US$200,000.

4 Administration expenses and other income

(a) Administration expenses

	Three months ended March 31	
	2023	2022
	US$000	US$000
Personnel expenses (1)	559	540
Professional fees	89	94
Depreciation and amortization	146	85
Contractors and services	141	115
Permit	6	-
Travel expenses	80	-
Others	72	-
Total	1,093	834

(1) Majority of the personnel expenses were capitalized for the periods ended March 31, 2023 and March 31, 2022. Non-capitalized personnel expenses belong to Aclara Resources Inc., Aclara Resources Peru SAC and are not directly related to the project executed in subsidiary Ree Uno SpA.

(b) Other income

	Three months ended March 31	
	2023	2022
	US$000	US$000
Gain on sale of property, plant and equipment	(33)	-
Total	(33)	-

Notes to the Interim Consolidated Financial Statements (Continued)

5 Exploration expenses

(a) Exploration expenses

	Three months ended March 31	
	2023	2022
	US$000	US$000
Personnel expenses	334	13
Professional fees	105	-
Mining rights	-	50
Rentals	72	6
Repair and maintenance	5	-
Analysis & technical	78	42
Studies	181	61
Technology and system	28	20
Contractors and Services	201	43
Travel expenses	54	-
Others	65	1
Total	1,123	236

6 Financial income and costs

(a) Financial income

	Three months ended March 31	
	2023	2022
	US$000	US$000
Interests	(770)	(11)
Total	(770)	(11)

(b) Financial costs

	Three months ended March 31	
	2023	2022
	US$000	US$000
Bank commissions	6	5
Total	6	5

Notes to the Interim Consolidated Financial Statements (Continued)

7 Income tax

	Three months ended March 31	
	2023	2022
	US$000	US$000
Current income tax (expense)/credit	-	-
Deferred income tax (expense)	-	-
Total	-	-

As indicated, the Company does not record deferred tax related to tax loss carry forwards as the recoverability as of the date of these financial statements does not fulfil the more-likely-than-not criteria under IAS 12.

8 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of common shares issued during the period.

The Company does not have dilutive potential common shares. As of March 31, 2023 and March 31, 2022, EPS has been calculated as follows:

	Three months ended March 31	
	2023	2022
Basic loss per share from continuing operations		
Total for the period and from continuing operations (US$)	(0.01)	(0.01)
Diluted loss per share from continuing operations		
Total for the period and from continuing operations (US$)	(0.01)	(0.01)

Loss from continuing operations attributable to equity holders is derived as follows:

	Three months ended March 31	
	2023	2022
Loss attributable to equity holders – continuing operations (US$000)	(1,407)	(997)

The following reflects the share data used in the basic and diluted EPS computations:

	Three months ended March 31	
	2023	2022
Basic weighted average number of ordinary shares in issue (thousands)	162,736	162,599
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	162,736	162,599

Notes to the Interim Consolidated Financial Statements (Continued)

The calculation of the weighted average number of common shares is as follows:

	Total
Balance as at January 1, 2022	162,599,162
Balance as at March 31, 2022	162,599,162
Weighted average number of ordinary shares as at March 31, 2022	162,599,162

	Total
Balance as at January 1, 2023	162,599,162
Issuance January 09, 2023	250,075
Issuance January 12, 2023	373,940
Balance as at March 31, 2023	163,223,177
Weighted average number of ordinary shares as at March 31, 2023	162,736,278

9 Property, plant and equipment

	Land US$000	Plant and equipment US$000	Total US$000
Cost property, plant and equipment			
Balance as at January 1, 2022	357	700	1,057
Additions	218	1,024	1,242
Foreign exchange effect	-	69	69
Balance as at December 31, 2022	575	1,793	2,368
Additions	-	412	412
Disposals	-	(145)	(145)
Foreign exchange effect	-	211	211
Balance as at March 31, 2023	575	2,271	2,846
Accumulated depreciation plant and equipment			
Balance as at January 1, 2022	-	353	353
Depreciation of the period	-	27	27
Foreign exchange effect	-	101	101
Balance as at December 31, 2022	-	481	481
Depreciation of the period	-	72	72
Depreciation - Disposals		(115)	(115)
Foreign exchange effect	-	54	54
Balance as at March 31, 2023	-	492	492
Net book value as at December 31, 2022	575	1,312	1,887
Net book value as at March 31, 2023	575	1,779	2,354

There were no borrowing costs capitalized in property, plant and equipment as there are no qualifying assets. There are no restrictions on ownership of property, plant and equipment. There are no capital commitments for property, plant and equipment.

As of March 31, 2023 and December 31, 2022, the company incurred in expenses of US$ 127,003.55 and US$ 939,259.84 respectively, for equipment purchases that will be part of the pilot planta to be built during 2023.

As of November 23, 2020, a purchase agreement was signed between Ree Uno SpA and Forestal Arauco SA for the purchase of land located in Concepción, Chile. As of March 31, 2023, the company has paid three of the seven instalments indicated in the agreement described above. The total value paid to date is indicated in note 9 “Property, plant and equipment”, column "Land". The Company has the right to cancel the contract at any moment if the project is proven unfeasible. Under this scenario, the Company would not have to pay the remaining quotas and ownership of the land would revert back to Forestal Arauco S.A. property. Otherwise, the remaining instalments will be paid as follows:

Notes to the Interim Consolidated Financial Statements (Continued)

Year	Total US$000
2023	6,000
2024	1,300
2025	1,300
2026	1,300
Total	9,900

As at March 31, 2023, and December 31, 2022, the Company has not recognized any impairment.

10 Exploration and evaluation assets

	Total US$000
Cost	
Balance as at January 1, 2022	70,132
Additions (1)	14,145
Foreign exchange effect	(853)
Balance as at December 31, 2022	83,424
Additions (1)	3,944
Foreign exchange effect	6,899
Balance as at March 31, 2023	94,267
Accumulated amortization and impairment	
Balance as at January 1, 2022	7
Additions	284
Foreign exchange effect	148
Balance as at December 31, 2022	439
Additions	74
Foreign exchange effect	36
Balance as at March 31, 2023	549
Net book value as at December 31, 2022	82,985
Net book value as at March 31, 2023	93,718

As of March 31, 2023, the Company staked in Brazil mining concessions of approximately 376,804 hectares through its subsidiary Aclara Resources Mineracao Ltda. for exploration activities.

Notes to the Interim Consolidated Financial Statements (Continued)

Notes:

(1) The total investment in the Penco Module project capitalized in the period 2023 and 2022 amounting to US$ 3,944 and US$ 14,145 (respectively) is detailed below:

	March 31 2023 US$000	December 31 2022 US$000
Personnel expenses	782	2,694
Professional fees	617	596
Environmental impact study	492	1,445
Geochemical study	-	-
Diamond drilling	-	-
Engineering services	-	455
Mining rights	37	457
Feasibility studies	-	7
Rent building, vehicles, others	133	405
Analysis & technical	199	1,678
Contractors and Services	1,279	5,565
Other	404	843
Total	3,944	14,145

The Company is currently focused on the development of the Penco Module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits. The Company is currently focused on developing pre-feasibility and feasibility studies, which will include activities such as engineering of the different deposits and the production process, as well as brownfield exploration and resources and reserves estimation. In addition, the Company continues working on the environmental permit. There were no borrowing costs capitalized in exploration and evaluation assets as there are no qualifying assets. There are no restrictions on ownership of exploration and evaluation assets. There are no capital commitments for exploration and evaluation assets. As at March 31, 2023, and December 31, 2022, the Company has not recognized any impairment as no indicators of impairment were identified in the project.

According the policy of capitalization of evaluation and exploration expenses, costs of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis. As of March 31, 2023 and December 31, 2022 the Company only have one project named Penco Module. The Company capitalizes expenses related to researching and analyzing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling and sampling, determining and examining the volume and grade of the resource, surveying transportation and infrastructure requirements, and conducting market and finance studies.

11 Trade and other receivables

	March 31 2023 US$000	December 31 2022 US$000
Current		
Advances to suppliers	858	261
Loans to employees	6	5
Others	72	67
Assets classified as receivables	936	333
Prepaid expenses	31	22
Value added tax	17	13
Total	984	367
Non-current		
Value added tax	5,600	4,488
Loans to employees	17	20
Others	191	184
Total	5,808	4,692

Notes to the Interim Consolidated Financial Statements (Continued)

The fair values of trade and other receivables approximate their book value. As of March 31, 2023 and December 31, 2022, none of the financial assets classified as receivables (net of impairment) were past due.

12 Cash and cash equivalents

	March 31 2023 US$000	December 31 2022 US$000
Current demand deposit accounts	59,129	66,886
Cash and cash equivalents considered for the statement of cash flows	59,129	66,886

The fair value of cash and cash equivalents approximates their book value. The Company does not have undrawn borrowing facilities available in the future for operating activities or capital commitments.

The composition of the item by currency as of March 31, 2023 and December 31, 2022 is as follows:

	March 31 2023 US$000	December 31 2022 US$000
Chilean pesos (equivalent US$)	495	261
Canadian dollar (equivalent US$)	3,258	3,374
Peruvian soles (equivalent US$)	27	2
Brazilian real (equivalent US$)	12	167
American dollar	55,336	63,081
Total	59,129	66,886

The composition of the item by bank as of March 31, 2023 and December 31, 2022 is as follows:

	March 31 2023 US$000	December 31 2022 US$000
Citi Bank	3,082	5,605
BCP	192	24
JP Morgan	-	3,022
RBC	28,092	30,753
Itau	12	167
Scotiabank	27,751	27,314
Total	59,129	66,886

13 Short term investments

	March 31 2023 US$000	December 31 2022 US$000
Time deposits (6 months)	-	-
Total	-	-

The Company does not record short term investments as of March 31, 2023 and December 31, 2022.

Notes to the Interim Consolidated Financial Statements (Continued)

14 Trade and other accounts payables

	March 31 2023 US$000	December 31 2022 US$000
Trade payables1	1,340	1,700
Taxes and contributions	595	110
Salaries and wages payable	743	1,679
Others	131	116
Total	2,809	3,605

The fair value of trade and other payables approximate their book values.

1 Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted. The Company does not have significant suppliers whose liabilities exceed 10% of this item.

15 Other provisions

The other provisions are as follows:

	March 31 2023 US$000	December 31 2022 US$000
Contractors and Services	-	-
Other	-	-
Total	-	-

The Company does not record other provisions as of March 31, 2023 and December 31, 2022.

16 Equity

(a) Share capital

Issued share capital and additional capital

The changes in share capital are as follows:

	Number of shares type A - Aclara Resources Inc.	Total US$000
Balance as at January 31, 2022	**162,599,162**	**164,508**
Shares issued - net cash received	-	1
Expenses - IPO	-	(472)
Balance as at December 31, 2022	**162,599,162**	**164,036**
Shares issued	624,015	163
Balance as at March 31, 2022	**163,223,177**	**164,199**

Shareholder	Shares subscribed	Percentage share
Hochschild Mining Holdings Ltd	32,526,389	19,9%
Pelham Investments	59,701,161	36,6%
Other Investors	70,995,627	43,5%
Total	163,223,177	100%

On January 19, 2022, the Company received US$1,420 for the purchase of shares from other investors, leaving the current account receivable related to the Company's shares with no balance.

On January 09, 2023, issued 250,075 common shares for a total consideration of 84,025.20 Canadian dollars equivalent to US$62,817.88.

Notes to the Interim Consolidated Financial Statements (Continued)

On January 12, 2023, issued 373,940 common shares for a total consideration of 133,870.52 Canadian dollars equivalent to US$100,082.63.

Dividends will be paid exclusively from the net earnings for the year, or from the retained deficit from balance sheets approved by the general shareholders' meeting, If the Company has accumulated losses, the profits for the year will first be used to absorb them, if there are losses for a year, these will be absorbed with retained deficit, if any. The Chairman of the Board of Directors may, under his personal responsibility, distribute provisional dividends during the fiscal year charged to the profits thereof, provided there are no accumulated losses.

(b) Other reserves

Cumulative translation adjustment

The cumulative translation adjustment account is used to record foreign exchange differences arising from the translation of the financial with a functional currency different to the reporting currency of the Company.

Other reserves

(1) Shared-based payments

On December 10, 2021, the Company adopted and approved a compensation plan to provides for the issuance of restricted share units (hereinafter “RSUs) to qualified employees, directors and executives. Due to the above, it was determined that the exercise price of the RSU shall be fixed by the board when such RSU is granted, but shall be no less than the closing price of the Common Shares on the TSX on the day prior to the date of grant (the “Market Price”). In addition, it was determined that the RSU shall be exercisable during a period established by board, which shall commence on the date of the grant and shall terminate no later than 10 years after the date of granting the RSU, or such shorter period of time as the Board may determine. On a change of control of the Company, the executives will be entitled to immediate vest any equity-based awards (including RSUs).

The RSUs will vest over a period of three years from the applicable date of grant. There were no cancellations or modifications to the compensation plan as of December 31, 2022. During Q1 2023, there were modifications to the compensation plan of the executives. As of March 31, 2023, the details and modifications of the RSUs that have been granted and committed under the LTIP are indicated in the following table;

	Granted		**Committed**
	10.12.2021	10.12.2022	10.12.2023
Executives	Number	Number	Number
Ramon Barua	441,311	441,311	441,311
Rodrigo Ceballos	44,131	-	-
Francois Motte	44,131	176,525	176,524
Barry Murphy	132,393	220,655	132,394
Total	**661,966**	**838,491**	**750,229**

On March 17, 2022, the board of directors approved the following share-based incentive award grants (not included in the above table) to the directors in the form of RSUs:

	Granted
	17.03.2022
Directors	Number
Eduardo Hochschild	149,576
Karen Poniachik	74,788
Sanjay Sarma	74,788
Paul Adams	74,788
Catharine Farrow	74,788
Total	**448,728**

Total RSUs granted and committed to executives amount to 2,250,686. The RSUs granted to the directors were 448,728, totalizing 2,699,414 of RSUs granted and committed as of March 31, 2023 and December 31, 2022.

Notes to the Interim Consolidated Financial Statements (Continued)

Some relevant variables are as follows:

- To determinate the fair value of the RSUs the Executive Stock Option formula (Jennergren y Naslund - 1993) was used. This formula considers the probability that an employee or executive will lose their right if they leave the Company before the vesting date. Also, the Actuarial Calculation was used, which is developed by building a mathematical simulation model that determines the current value of the incentive granted, considering the probability of permanence of executives in the company, determined by the probability of death and retirement.
- The granting of incentives for RSU does not consider an exercise price to be able to acquire the shares.
- For volatility, the average volatility of comparable companies was calculated.
- The risk-free rates used correspond to the Swap rate each year.
- A labor turnover rate of 10% was estimated, considering the nature, age and the industry in which it operates the Company.
- As of March 31, 2023 and December 31, 2022, no RSUs additional to those mentioned above have been granted, canceled, exercised or expired.

As of December 31, 2021

Method - Black Scholes

	Executives			Directors
Vesting Date	10-12-2022	10-12-2023	10-12-2024	10-12-2022
Stock price (Canadian dollar)	1.60	1.60	1.60	0.75
Volatility	11.03%	11.03%	11.03%	11.11%
Risk–free rate	1.04%	1.50%	1.74%	2.21%
Annual - staff turnover	10%	10%	10%	10%

Method - Actuarial

	Executives			Directors
Vesting Date	10-12-2022	10-12-2023	10-12-2024	10-12-2022
Survival	89.70%	80.43%	72.10%	89.70%
Death	0.30%	0.33%	0.35%	0.30%
Retirement	10.00%	10.00%	10.00%	10.00%
Spot price (Canadian dollar)	1.60	1.60	1.60	0.75
Risk–free rate	1.04%	1.50%	1.74%	2.21%

As of March 31, 2023

Method - Black Scholes

	Executives			
Vesting Date	05-05-2023	10-12-2023	10-12-2024	10-12-2025
Stock price (Canadian dollar)	0.46	0.46	0.46	0.46
Volatility	12.55%	12.55%	12.55%	12.55%
Risk–free rate	5.03%	4.76%	4.20%	3.81%
Annual - staff turnover	10%	10%	10%	10%

Method - Actuarial

	Executives			
Vesting Date	05-05-2023	10-12-2023	10-12-2024	10-12-2025
Survival	90.00%	89.77%	80.58%	72.32%
Death	0.000%	0.227%	0.241%	0.253%
Retirement	10%	10%	10%	10%
Spot price (Canadian dollar)	0.46	0.46	0.46	0.46
Risk–free rate	5.03%	4.76%	4.20%	3.81%

Notes to the Interim Consolidated Financial Statements (Continued)

Based on the methodology and assumptions used, the value of the RSUs is as follows;

RSUs approved on December 10, 2021	Vested 10-12-2022 $000	Vesting 10-12-2023 $000	Vesting 10-12-2024 $000	Total $000
Method - Black Scholes (Canadian dollar)	358,083	317,718	281,188	956,989
Method - Actuarial (Canadian dollar)	355,205	312,384	273,973	941,562
Expected value (Canadian dollar)	**356,644**	**315,051**	**277,581**	**949,276**
Price per share (Canadian dollar)	**1.43**	**1.26**	**1.11**	**1.27**
Price per share (American dollar)	**1.141**	**1.008**	**0.888**	**1.013**

RSUs approved on March 28, 2022	Vested 31-12-2022 $000
Method - Black Scholes (Canadian dollar)	308,573
Method - Actuarial (Canadian dollar)	295,352
Expected value (Canadian dollar)	**301,963**
Price per share (Canadian dollar)	**0.67**
Price per share (American dollar)	**0.539**

RSUs approved on March 20, 2023	Vesting 05-05-2023 $000	Vesting 10-12-2023 $000	Vesting 10-12-2024 $000	Vesting 10-12-2025 $000	Total $000
Method - Black Scholes (Canadian dollar)	39,908	103,515	74,250	65,103	282,776
Method - Actuarial (Canadian dollar)	36,367	99,935	86,348	75,096	297,746
Expected value (Canadian dollar)	**38,137**	**101,725**	**80,299**	**70,100**	**290,261**
Price per share (Canadian dollar)	**0.43**	**0.41**	**0.39**	**0.34**	**0.39**
Price per share (American dollar)	**0.315**	**0.301**	**0.286**	**0.249**	**0.286**

The following share-based payments reserves are used to recognize the value of equity-settled share-based payments provided to employees, key management personnel and directors as part of their compensation plan and remuneration;

	Total US$000
As at January 01 2022	-
Share - based payments expense during the year	696
As at December 31 2022	696
Share - based payments expense. Reversed in accumulated deficit due to issuance	(494)
Share - based payments expense during the period	81
As at March 31 2023	**283**

Notes to the Interim Consolidated Financial Statements (Continued)

The number and prices of, and movements in, RSUs during the period are as follows;

	Number	Value (Canadian dollars)
Oustanding at January 1 2022	**-**	**-**
Granted during the year	1,198,957	0.97
Oustanding at December 31 2022	**1,198,957**	**0.97**
Granted during the period	750,229	0.39
Exercised during the period	(624,015)	0.35
Oustanding at March 31 2023	**1,325,170**	**0.57**

(2) Others

As described in note 1, the Company as part of a process under the common control, obtained 100% of the shares of Ree Uno SpA. during 2021. The adjustment in other reserves reflects the effects of this transaction.

17 Related-party balances and transactions

The Company had the following related-party balances and transactions as at March 31, 2023 and December 31, 2022, the related parties are companies owned or controlled by the principal shareholder of Aclara Resources Inc. or associates.

	Accounts receivable	
Current related party balances	March 31 2023 US$000	December 31 2022 US$000
Compañia Minera Ares S.A.C.	9	-
Total	9	-

	Accounts payable	
Current related party balances	March 31 2023 US$000	December 31 2022 US$000
Compañia Minera Ares S.A.C.	-	25
Total	-	25

(a) Related-party accounts receivable and payable

No security has been granted or guarantees given by the Company in respect of these related party balances.

Principal transactions (all these amount have been capitalized) between related parties are as follows:

	March 31 2023 US$000	December 31 2022 US$000
Expense recognized for the services performed by Compañia Minera Ares S.A.C.	15	311
Expense recognized for the services performed by Minera Hochschild Chile SCM	-	24

Related parties are as follows:

	Relationship	Country	Type of transaction
Minera Hochschild Chile SCM	Related parties - Subsidiary of Shareholder	Chile	Intercompany administrative services
Hochschild Mining Holdings Ltd.	Related parties - Shareholder	Perú	Loans
Compañía Minera Ares S.A.C.	Related parties - Subsidiary of Shareholder	Perú	Intercompany administrative services

Notes to the Interim Consolidated Financial Statements (Continued)

(b) Compensation of key management personnel of the Company

Compensation of key management personnel	Total US$000
Shared-based payments	150
Short-term employee benefits	612
As at March 31, 2022	762

Compensation of key management personnel	Total US$000
Shared-based payments	81
Short-term employee benefits	1,547
As at March 31, 2023	1,628

Number of key management of the Company was five at March 31, 2023 and five at December 31, 2022.

18 Notes to the statement of cash flows

	Three months ended March 31	
	2023	**2022**
	US$000	US$000
Reconciliation of loss for the period to net cash generated from (used in) operating activities		
(Loss) of the period	(1,407)	(847)
Adjustments to reconcile Company loss to net cash inflows from (used in) operating activities		
Depreciation and amortization of the period	146	85
Shares issued	163	-
Share based compensation expense	120	-
Other movements that do not represent flows	140	(160)
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade debtors and other accounts receivable	(2,503)	(603)
Accounts receivable to related entities	(9)	(1)
Trade accounts payable and other accounts payable	(796)	(550)
Accounts payable to related entities	(25)	143
Other provisions	-	(820)
Cash generated from (used in) operations	(4,171)	(2,753)

19 Contingencies

a) Taxation:

As at March 31, 2023 and December, 31 2022, the Company is not subject to any contingencies.

b) Guarantees:

The Company does not have any guarantee in respect of exploration activities.

c) Litigations:

The main litigation currently affecting the Penco Module is an arbitration proceeding initiated by Madesal SpA ("Madesal") before the arbitrator Mr, Roberto Guerrero del Rio. The case is followed in the CAM with Role A-4367-2020. The grounds for this claim are an alleged violation of an agreement executed between the parties in 2014 and 2015 (the "MOU and its Addendum") by way of which Madesal would have been granted by the former owner of the Penco Module the status of "strategic partner" in the future development of the project in the Madesal's property called "Fundo El Cabrito", Nevertheless, it was subsequently decided for technical and environmental reasons that the Penco Module would be developed in a different location

Notes to the Interim Consolidated Financial Statements (Continued)

and that, therefore, no mining easement on Madesal's property was necessary. Madesal is seeking specific performance of the obligations allegedly derived from the MOU and its Addendum, plus damages, Requested damages amount to approximately US$30 million.

The arbitration was concluded, by means of a judgment dated October 28, 2022. The judgment rejects all petitions of the plaintiff. However, on November 2022 Madesal SpA filed a complaint appeal against the referee. Role Court of Appeals Santiago No. 16.285-2022. No provision has been booked because an unfavorable outcome is not considered probable.

20 Financial risk management

The Company is exposed to a variety of risks and uncertainties which may have a financial impact on the Company.

The Company identify and, where appropriate, implement the controls to mitigate the impact of significant risks.

(a) Foreign currency risk

The Company is in the pre-operational stage, and no income or operating costs have been recorded. The main disbursements are in Chilean pesos. As of December 31, 2022 and March 31, 2023, the Company has deposits, trade and other payables and account payables to related parties stated in US dollars. The sensitivity of financial assets and liabilities, at December 31, 2022 to a +/- 10% change in the US dollar exchange rate, with all other variables held constant, is -/+ US$8,913,000 for Canadian dollars, US$14,000 for Brazilian real and US$2,527,500 for Chilean pesos.

(b) Credit risk

Credit risk arises from debtors' inability to make payment of their obligations to the Company as they become due (without taking into account the fair value of any guarantee or pledged assets). The Company is not exposed to credit risk as it does not have commercial activities.

(c) Liquidity risk

Liquidity risk arises from the Company's inability to obtain the funds it requires to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value, Management constantly monitors the Company's level of short- and medium-term liquidity, and their access to credit lines, in order to ensure appropriate financing is available for its operations.

The table below categorizes the undiscounted cash flows of Company's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position to the contractual maturity date.

	Note	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
Ace as at March 31, 2023						
Trade and other payables	14	2,808	-	-	-	2,808
Trade and other payables related parties	17	-	-	-	-	-
Total		2,808	-	-	-	2,808
As at 31 December 2022						
Trade and other payables	14	3,605	-	-	-	3,605
Trade and other payables related parties	17	25	-	-	-	25
Total		3,630	-	-	-	3,630

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, Management considers as part of its capital, the financial sources of funding from shareholders and third parties.

(e) Environmental risk

One of the main concerns of the Company is caring for the environment as its policy is zero impact. The environmental impact study was carried out and submitted to the authority in 2018.

On March 24, 2022, the Company withdrew the Original EIA application to allow time to address two technical aspects in particular, which relate to the protection of local flora and fauna. The Company was unable to satisfy the SEA within the mandated regulatory timetable relating to the Original EIA process.

Notes to the Interim Consolidated Financial Statements (Continued)

(f) Tax Reform risk

Provided the proposal of the new tax reform in Chile, the new Government seeks to increase tax collection in 4.1% GDP in 4 years (2023 to 2026). Today tax collection is approximately 20% of the Growth Domestic Product (GDP). The objective is to reduce the tax collection gap between OCDE countries (approximately 30%) and Chile. The reform will be focused on natural persons with high income and large companies. The Company anticipates that the impact would be negligible as the project has medium scale. On the contrary, the Company foresees, based on the innovative nature of its business, potential benefits with the new tax reform, as it could potentially apply for increased tax credits for current and future R&D projects. Regarding the new Royalty scheme, the Company calculates that the impact would be negligible or potentially zero, as the current production scale of the Penco Module would potentially qualify for exemption. In March 2023, the proporsal of the new tax reform was rejected and the government announced that they will work on a new tax reform proposal, carrying out a new consultation process with different economic, social and political advisers to define the changes that will be made to the reform rejected. As of March 31, 2023, there are no changes that affect the Interim Consolidated Financial Statements.

21 Subsequent events

On April 28, 2023, the Company submitted the revised EIA to SEA and estimates an evaluation period of 18 months. However, there can be no assurance as to the length in obtaining an approval or whether such approval will be issued.